



Dixon Advisory Investor Conference 2014

Where to be Careful ...Where to be Brave

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Careful - Identifying / being aware of a potential risk

Brave - Displaying courage to face a potential risk

“We simply attempt to be fearful when others are greedy and to be greedy only when others are fearful”



Warren Buffett

Careful

“Your goal as an investor should simply be to purchase, at a rational price, a part interest in an easily-understandable business whose earnings are virtually certain to be materially higher 5, 10 and 20 years from now.”

Brave

“Over time, you will find only a few companies that meet these standards - so when you see one that qualifies, you should buy a meaningful amount of stock.”

Warren Buffett

Identifying a potential risk

BKI's long term investment criteria – 5 Fundamentals

1. Income
2. Principal Activity
3. Debt Levels
4. Management and Board
5. Earnings and Valuations

Identifying a potential risk

BKI's long term investment criteria – 5 Fundamentals

1. Income

- 2. Principal Activity**

3. Debt Levels

4. Management and Board

5. Earnings and Valuations

Identifying a potential risk

Key Fundamental - Principal Activity

- “Do we understand what this company does?”
- “Does this company have a sustainable business model?”
- “Will this company be around for the long term?”
- “Does the business have a competitive advantage?”

Washington H Soul Pattinson and Company Limited (WHSP)

- Association - Shareholding in BKI is 11.8% (\$105m).
- Longevity and track record - second oldest listed company on the ASX.
- Size and scale - WHSP holds investments worth in excess of \$4.5bln.
- Market awareness - WHSP has a significant understanding of the business world through its diverse investment portfolio.

Washington H Soul Pattinson and Company Limited (WHSP)

WHSP's long term, patient investment philosophy is dispersed across many industries including:

- Building Products
- Property
- Metals, Mining and Energy
- Retail
- Logistics
- Healthcare
- Telecommunications
- Financial Services
- Agriculture

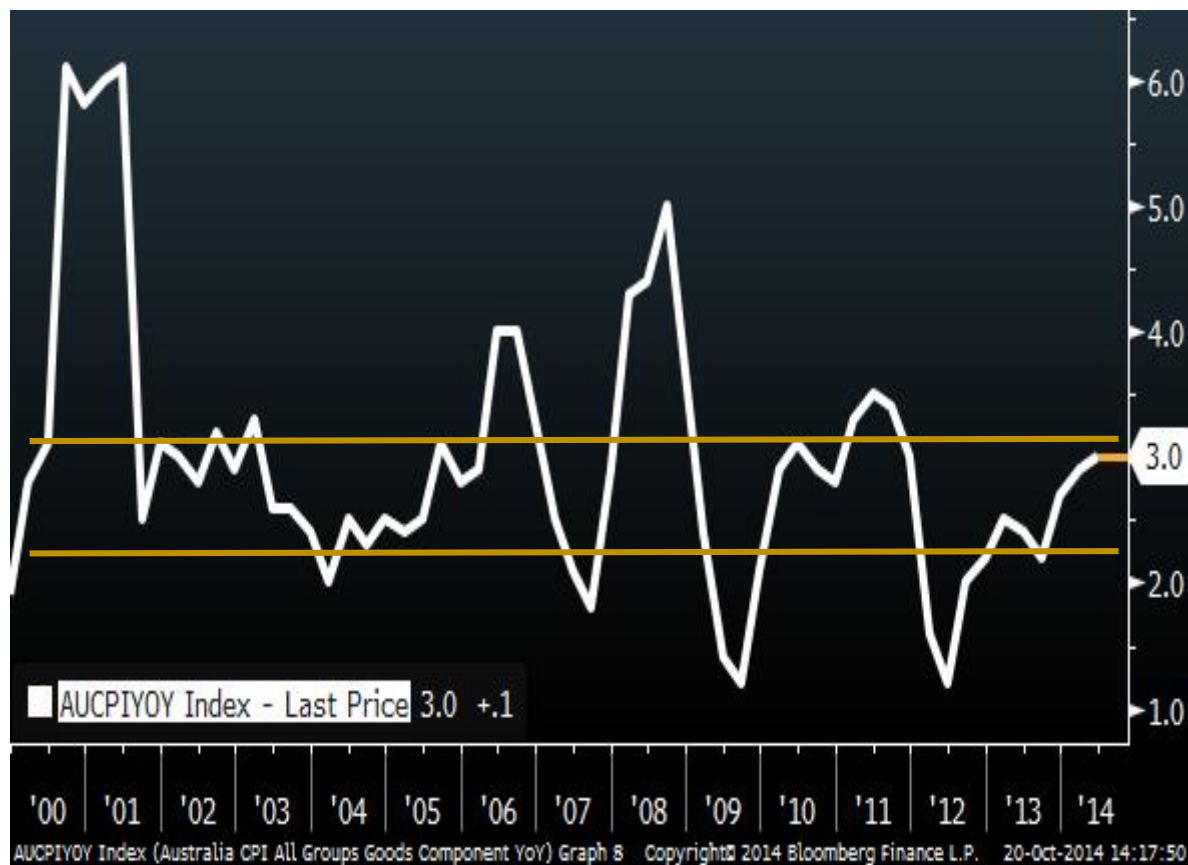


PITT CAPITAL PARTNERS

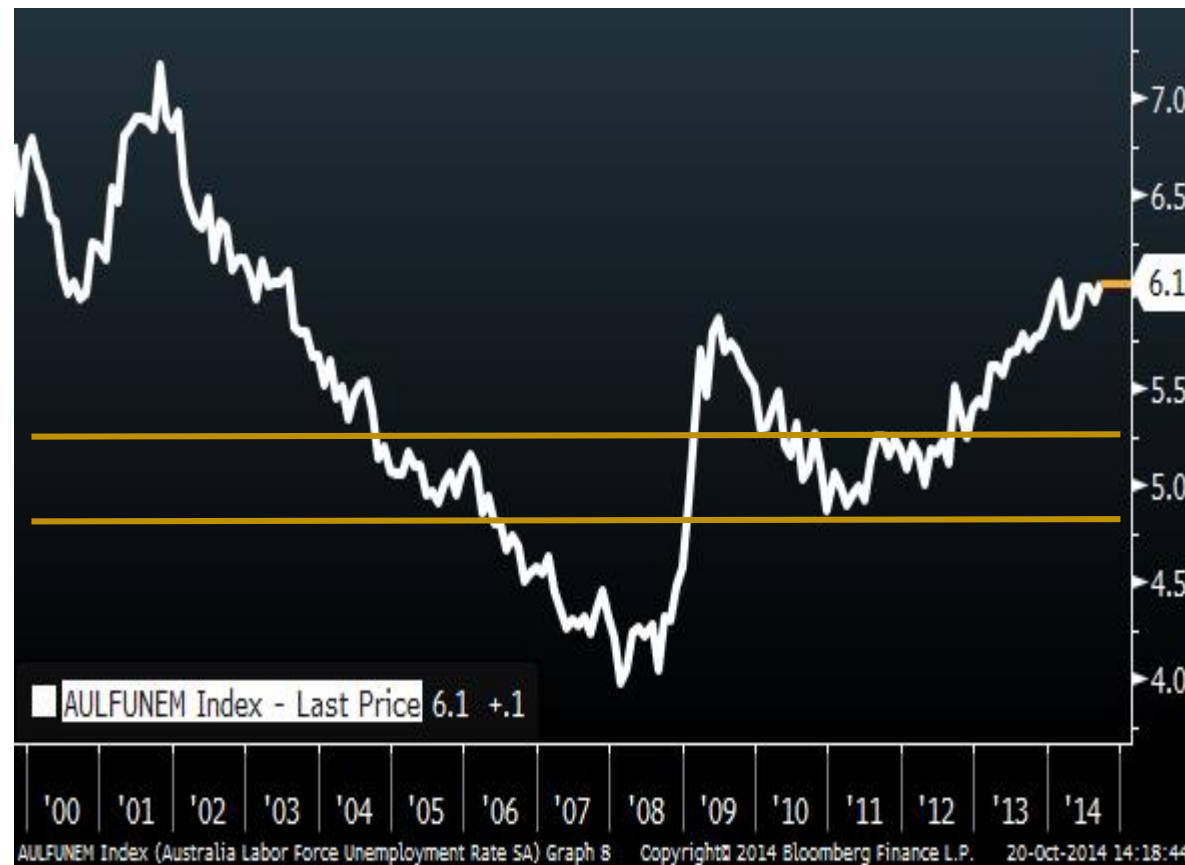


Macro – Being aware of a potential risk

Consumer Price Index (Inflation) 2000-2014

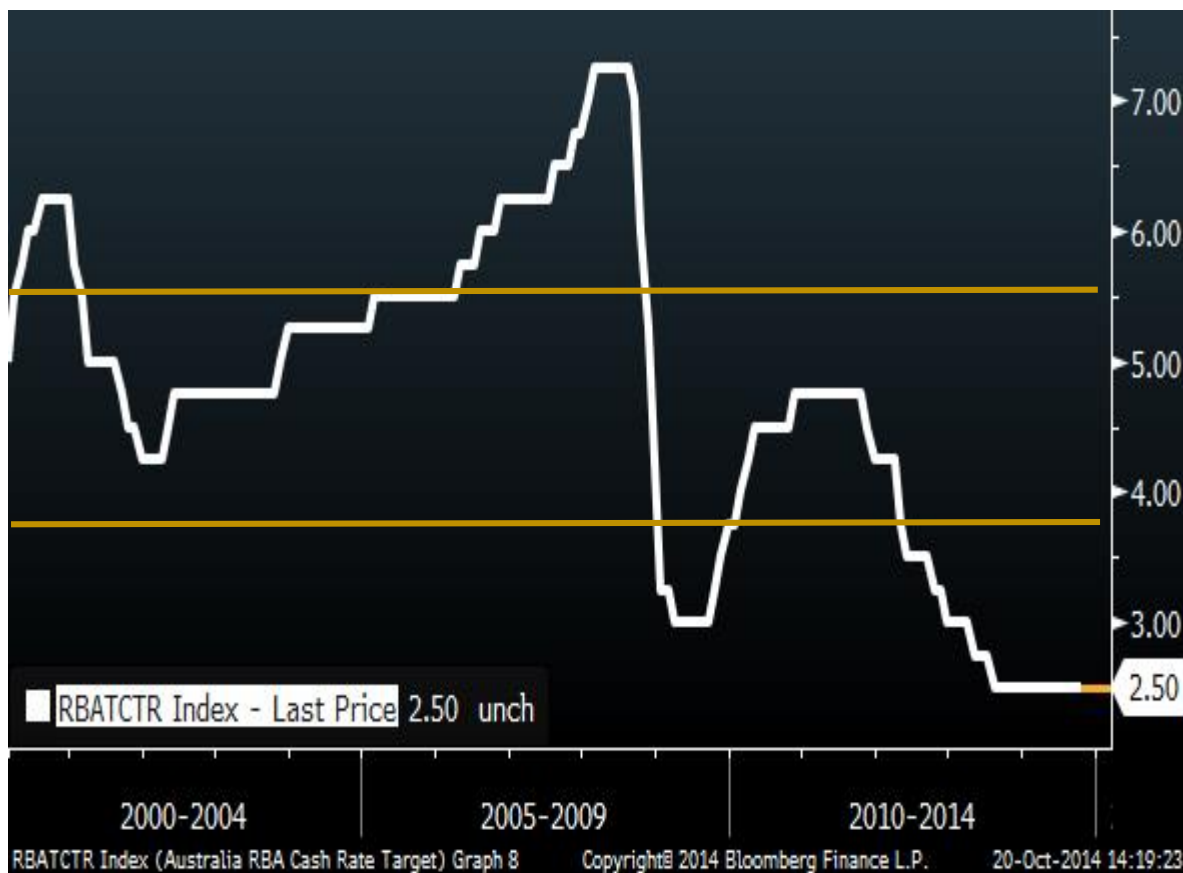


Unemployment Rate 2000-2014

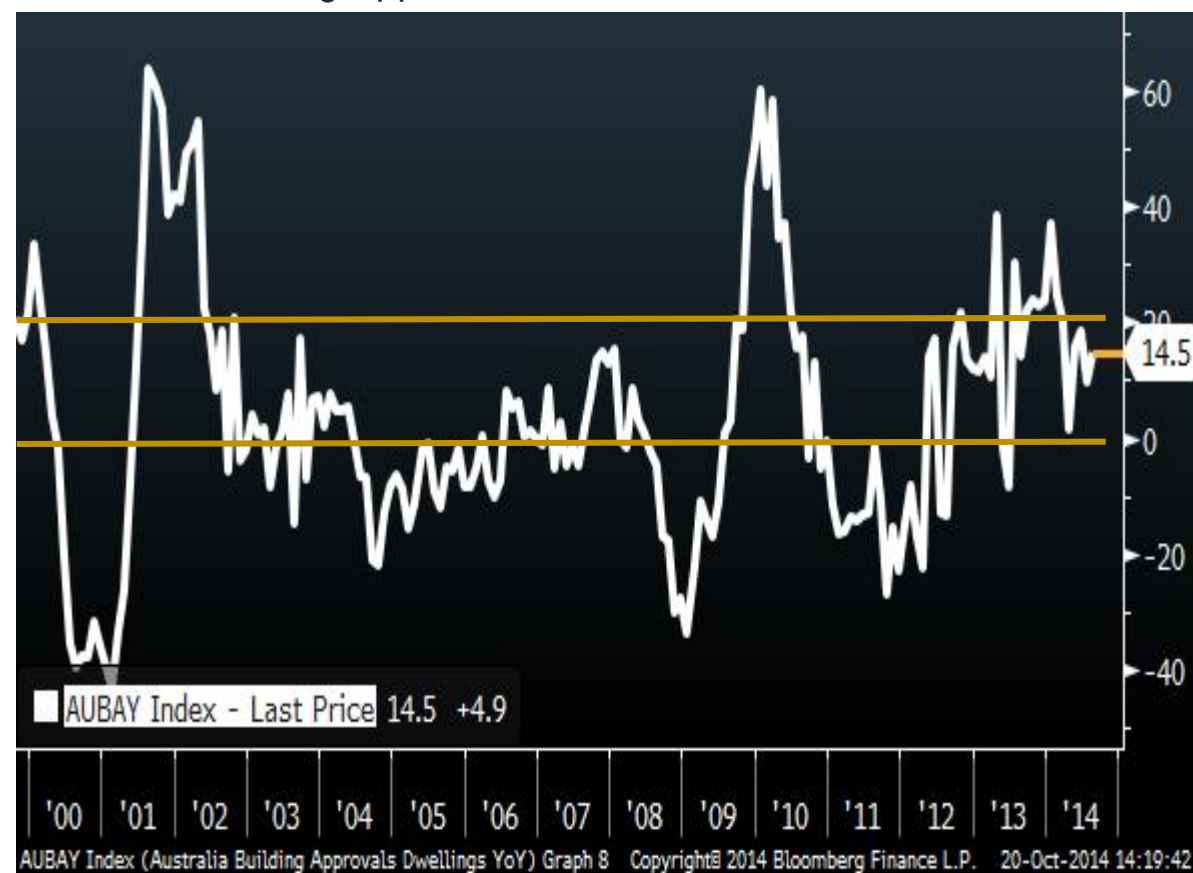


Macro – Being aware of a potential risk

RBA Cash Rate 2000-2014

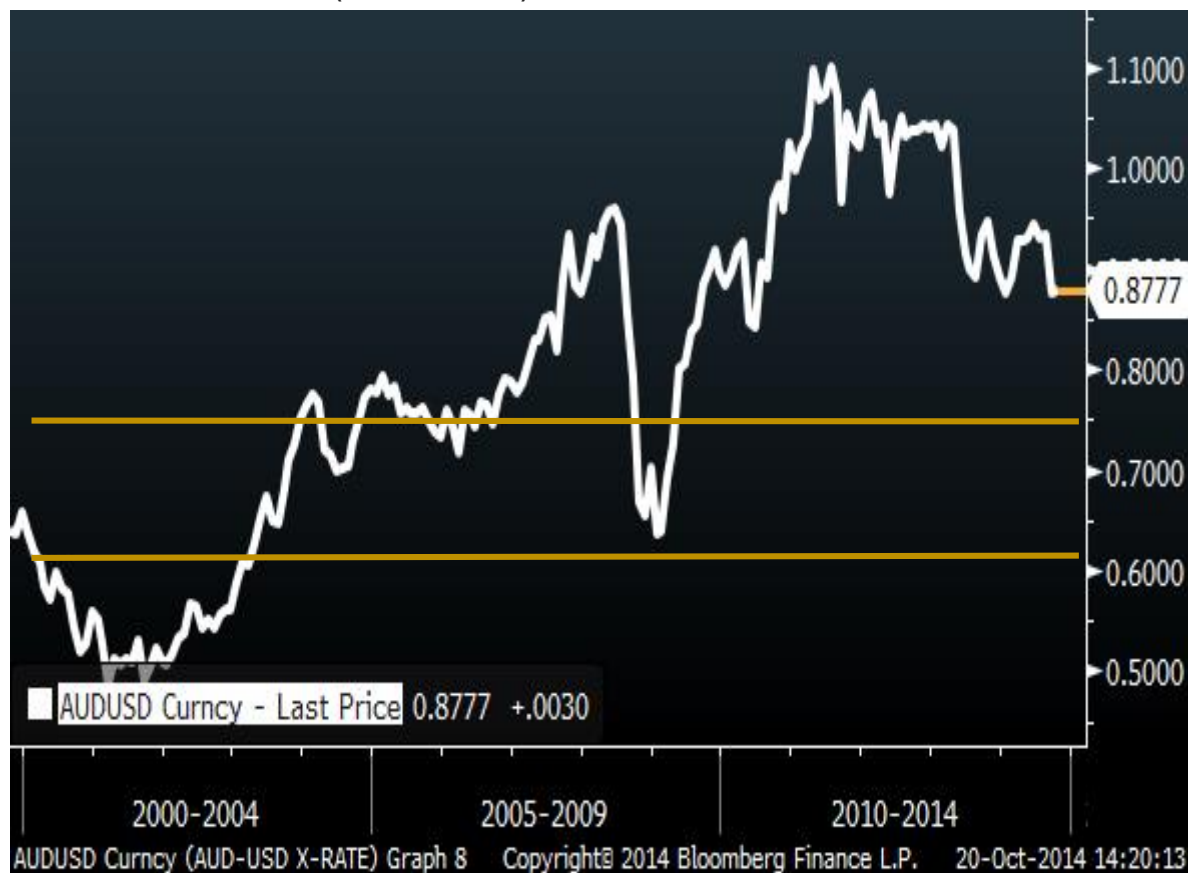


Australia Building Approvals 2000-2014

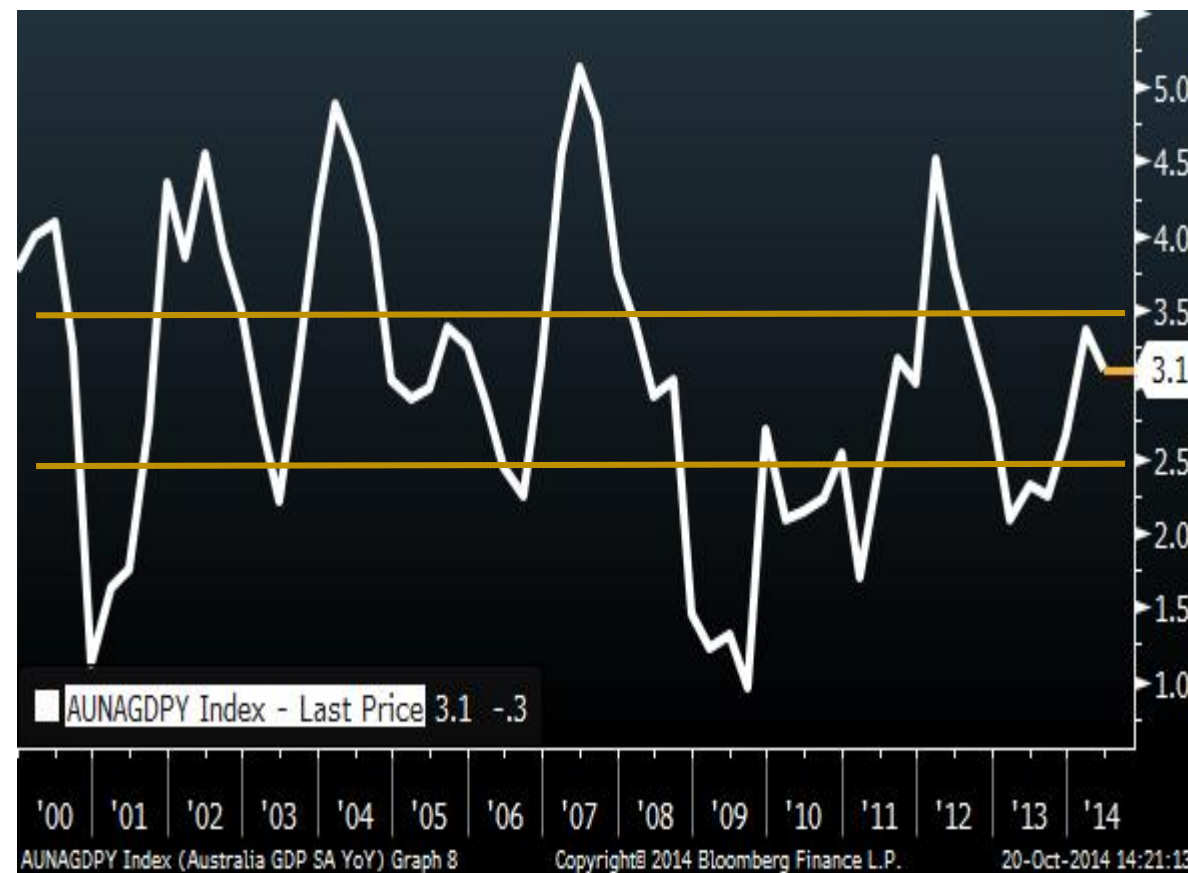


Macro – Being aware of a potential risk

Australian Dollar (AUD/USD) 2000-2014



GDP Growth Rate 2000-2014



Display courage to face a potential risk

Retail

- A cautious consumer - Brand loyalty versus value
- Online shopping
- Offering the consumer a difference



Display courage to face a potential risk

Finance

- Technology and the switch to on-line
- Market domination
- Highly regulated



Display courage to face a potential risk

Healthcare

- Aging and growing population
- Hospital expenditure; playing catch up
- Technology improvements



SONIC
HEALTHCARE
LIMITED

Display courage to face a potential risk

Energy

- Global shortage of cheap reliable energy
- Resources and Infrastructure
- “Free” Cash Flow verses “Operating” Cash Flow

APA Group 

**DUET**
GROUP



CALTEX



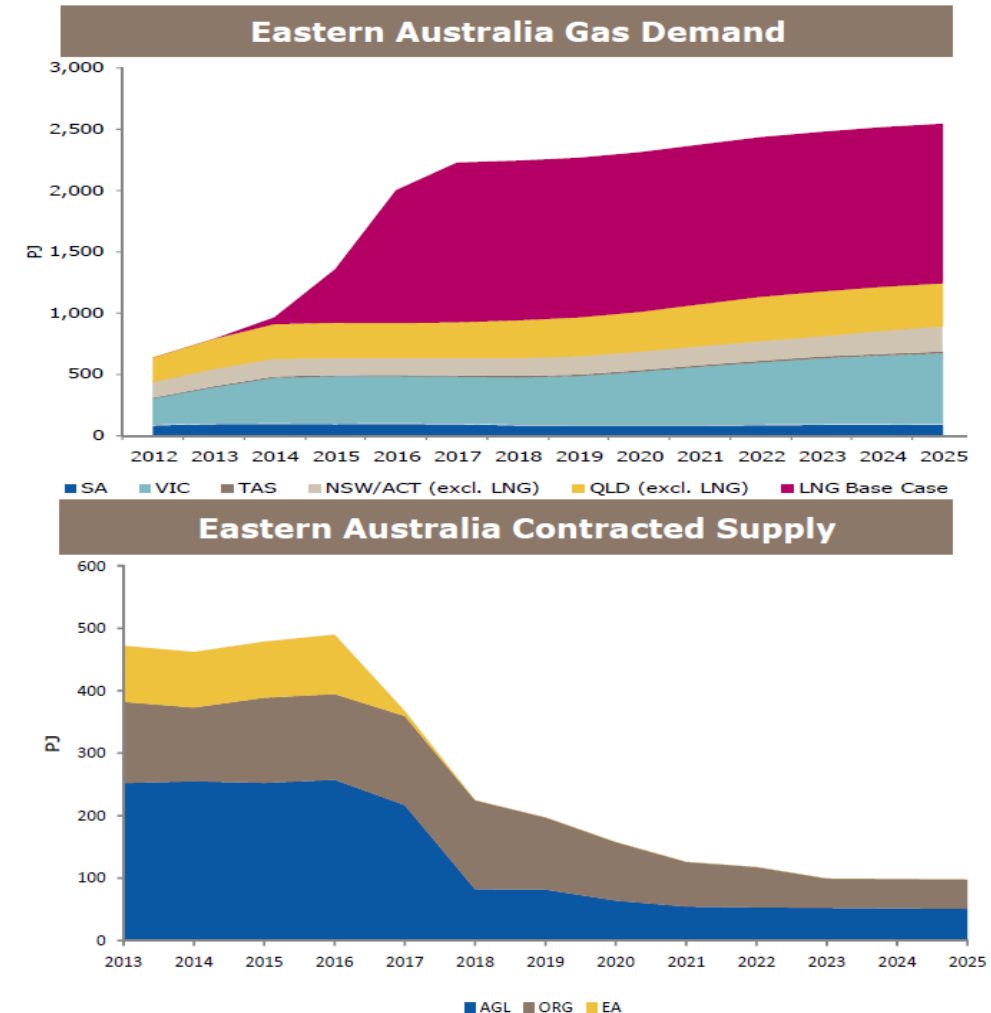
woodside

**New Hope**
Corporation Limited



New Hope Group (NHC)

- LNG gas requirements could see domestic Eastern Australian gas pricing jump from ~\$3/GJ to ~\$10/GJ.
- Gas consumed by power stations could fall from 31% of total domestic demand during the winter peak season to 10% by 2018.
- Thermal coal still accounts for 41% of global power generation because it is reliable and affordable.
- NHC is well positioned for longer term participation within the energy sector.
- Grossed-up Dividend Yield of 6.6% expected for FY16.



Source: AGL Limited; Macquarie Australia Conference Presentation 2013

Display courage to face a potential risk

Telecommunications

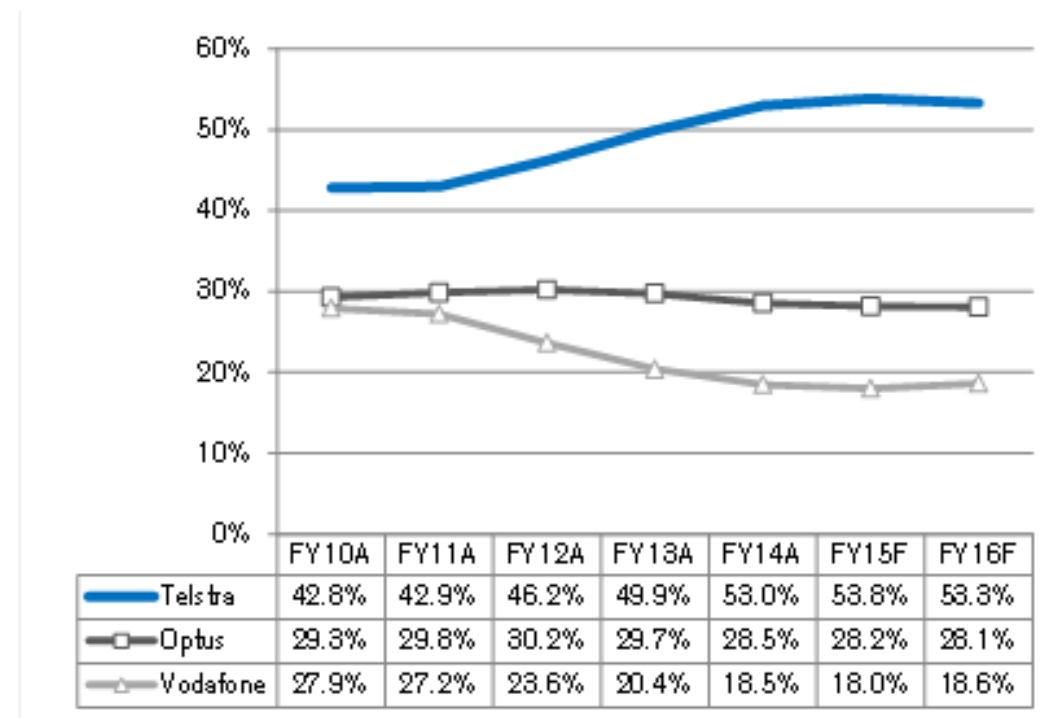
- Infrastructure
- Content
- Market domination



Telstra Corporation (TLS)

- Infrastructure - 90% population coverage of 4G network expected by Jan 2015
- Network Advantage - TLS currently has:
 - 16 million mobile services
 - 7.5 million fixed voice services
 - 3 million retail broadband services
- EBITDA Margins of 40%
- Grossed-up Dividend Yield of 8.4% expected for FY16

Mobile share of service revenue (Y/E June)



Source: Company Data, Credit Suisse estimates

BKI 1st Quarter FY2015 Update

- **Revenue** – Revenue from the Investment Portfolio[#] is up approx 30% on the same time last year.*
- **Net Operating Result** – Net Operating Result[#] is up approx 26% on the same time last year.*
- **Dividends** – Barring any unforeseen circumstances, BKI is confident of at least maintaining the Interim and Final Ordinary Fully Franked Dividends during FY2015.

* Figures referred to in the “1st Quarter FY2015 Update” are unaudited. Revenue, Net Operating Income and Portfolio Valuation are partly driven by the Entitlement Offer in October 2013 and SPP in August 2014.

Excluding Special Dividend Income



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